



Seattle City Employees' Retirement System

Board of Administration Meeting
 Pacific Building, 720 3rd Avenue, Suite 900, Seattle, WA
 (206) 386-1293

Minutes, Thursday, February 10, 2022

Board Members Present: Teresa Mosqueda (Chair), Lou Walter, Robert Harvey, Jr., Judith Blinder, Sherri Crawford, Kimberly Loving, Glen Lee

SCERS Staff present: Jeff Davis, Paige Alderete, Jason Malinowski, Nina Melencio, Selam Teklemariam, Mark Schimizze, Mengfei Cao, George Emerson

Others Present: Mike Monaco (MMPL), Gary Smith (City Attorney's Office), Nick Collier and Julie Smith (Milliman), Tim Morrison (FAS), Tom Mikesell Joe Ebisa (With. Ingelligence), Matt Courtois, Patricia Kirkness (ARSCE), Mike Nagan (ARSCE), Edie Jorgensen (ARSCE), Richard Jewett

Call to Order

Robert Harvey, Jr. called meeting to order at 10:01 am

Administrative Consent Agenda

Provided in the Retirement Board Packet were the minutes from the January 13, 2022 Retirement Board regular meeting, ratification of Retired Payroll, Office Payroll, and other payments and withdrawals.

The following items represent normal expenses:	
Pension Payroll	\$19,111,025.45
Office Payroll	238,125.49*
Admin & Investment Expenses	1,320,995.98
Total Expenses – January 2022	\$21,811,248.93

**includes estimated benefit costs*

Retirements, Withdrawals, Other Payouts – January 2022			
	Count	Monthly Pension	Lump Sum Distribution
Retirements	32	\$111,777.76	\$1,286,648.21
Withdrawals	5	n/a	\$68,465.18

Motion: Upon motion by Sherri Crawford, seconded by Judith Blinder, the Board of Administration accepted and approved the Administrative Consent Agenda. The motion passed unanimously (5-0).

Experience Study Introduction

Nick Collier and Julie Smith of Milliman discussed the upcoming experience study, which is conducted every four years, gave a timeline of future presentations, and answered questions from Board members. The goal is to adopt the assumptions to be used in the 2022 valuation at the March 10, 2022 Board of Administration meeting and make a decision on the recommended employer contribution rate for 2023 at the May 12, 2022 Board of Administration meeting.

The current inflation assumption is 2.75%. Milliman will recommend an inflation assumption between 2.5% and 2.75%. NEPC includes inflation as a component of investment return.

(10:08 am – Teresa Mosqueda joined the meeting)

There was a discussion on payroll growth and historical active member growth.

(10:13 am – Lou Walter joined the meeting)

SCERS's current assumption is 7.25% net of investment expenses. The 30-year expected return for NEPC has declined from 7.6% to 6.8% since the time of the last experience study in 2018.

Milliman will likely recommend that SCERS lower the investment return assumption. In 2018, about 75% of large public retirement systems had a return assumption of 7.25% or greater. In 2022, less than half have a return assumption of 7.25% or more.

If the investment return assumption is lowered the short-term impact will be higher employer contribution rates and lower reported funded ratio. The long-term impact is that it would be easier to recover from a bad experience, SCERS would be better funded, and employer rates and total dollar contributions will ultimately be lower (although it would be more than 10 years in the future).

Milliman's preliminary recommendations include:

- Lower the investment return assumption from 7.25% to between 6% to 7%. Their preference is 6.75%
- Increase the inflation assumption from 2.5% to 2.75%
- Decrease population growth (active members of SCERS) from 0.5% to 0.0%
- Increase wage growth from 0.75% to 1.0%

Mr. Lee requested additional information on Milliman's suggestion of smoothing the contribution rate over the four-year period until the next experience study.

Investment Committee Report – January 27, 2022

Jason Malinowski reported on the January 26, 2022 Investment Committee meeting. There were two agenda items. NEPC presented on their capital market assumptions and market themes. Staff gave their annual presentation looking back at activity from the prior year and what the team are planning for in 2022.

Administrative Committee Report – January 27, 2022

Jeff Davis reported on the January 27, 2022 Administrative Committee meeting. The committee reviewed the board self-evaluation questions. The self-evaluation will be sent to the board via Survey Monkey this year.

The committee also discussed the 2021 Executive Director evaluation timeline. The Conflicts of Interest policy was up for its three-year review. The committee recommended that the Board reaffirm the policy.

Motion: Upon motion by Robert Harvey, Jr., seconded by Sherri Crawford, the Board of Administration accepted the Administrative Committee's recommendation to reaffirm the Conflicts of Interest for Managers and Placement Agents Policy. The motion passed unanimously (7-0).

Executive Director Update

Mr. Davis let the Board know that we will be conducting Trustee Elections this year. The open seat is for an active member seat currently filled by Ms. Blinder. The candidacy period will be April 14-28, 2022. If we have more than one candidate, elections will be held May 12 through June 6, 2022. The winner of the election will be announced at the June 9, 2022 Board of Administration meeting.

It was noted that the Public Comment section of the agenda was left out. Ms. Mosqueda asked attendees if any of them needed to make public comment. There was no public comment.

There was a question on when meetings will return to on-site. CM Mosqueda stated that the City Council does not have a date for in-person meetings. Gary Smith, City Attorney's Office, stated that the Governor's order remains in effect which allows for on-line meetings. He does not expect it will change in the near future.

(11:00 am – Teresa Mosqueda leaves the meeting)

Executive Session – Actual or Pending Litigation/Quasi-judicial matter

The Board entered into Executive Session at 11:00 a.m. for approximately 30 minutes to discuss actual or pending litigation/quasi-judicial matter.

At 11:32 a.m., Mr. Davis announced in regular session that Executive Session will be extended for 30 minutes. Executive Session ended at 11:51 a.m.

Mr. Harvey entertained a motion regarding the issue of actual or pending litigation.

Motion: Upon motion by Robert Harvey, Jr., seconded by Sherri Crawford, with regard to the pending appeals by members of their repayments of overpaid benefits under Option F, the Board of Administration determined that great financial hardship has not been shown and that the members appealing will continue to have future benefits reduced by 25% throughout their lifetimes. There will no further collection of these overpayments after these members' deaths. The motion passed unanimously (6-0).

Adjourn Meeting

Motion: Upon motion by Glen Lee, seconded by Judith Blinder, the Board of Administration voted to adjourn the meeting at 11:53 a.m. The motion passed unanimously (6-0).